BANKRUPTCY—PROVABLE CLAIMS—NOTE ARISING OUT OF SEPARATE TRANSACTION, HELD AS COLLATERAL SECURITY.—The K. Co., a bankrupt, was indebted to A for a bill of goods, payment of which was guaranteed by B. Later A pressed B for security and B gave him as such, a note of the K. Co. arising out of a separate transaction. In the proceedings in bankruptcy against K Co. A sought to prove both his original claim and that represented by the note. *Held* that both claims were provable by A. *In re H. V. Keep Shirt Co.* (D. C. N. Y. 1912) 200 Fed. 80.

The court declared this to be a case of first impression, and no case directly in point is found, although the principle upon which the decision is based is well settled. In *First National Bank of Beaumont* v. *Eason,* 149 Fed. 204, 79 C. C. A. 162, a creditor sought to prove two obligations of the bankrupt; one was a note of which the bankrupt was the maker, and the other was the bankrupt's indorsement of a forged note which the payee held as collateral security for the payment of the original debt. The court held that the payee could recover only on the original note, as there was only one debt, supported by a single consideration, for which there could be but one satisfaction; payment of the note would discharge the right to recover on the contract of indorsement. In *In re Noyes Bros.,* 127 Fed. 286, 62 C. C. A. 218, a creditor of a bankrupt firm held notes of the firm indorsed by the firm through its treasurer, David W. Noyes, and by David W. Noyes individually. The creditor was also in possession of certain collateral securities which, as a matter of fact, were found to have been pledged to secure the individual indorsement of Noyes. The court held that the creditor might retain the proceeds of these securities and yet prove its entire original claim against the firm. *In re Mertens,* 144 Fed. 818, 75 C. C. A. 548, allowed a creditor of a bankrupt firm, holding securities of one of the individual partners, to retain the securities and have its claim against the firm allowed in full. While the facts of the principal case are novel and somewhat peculiar, the rule of law applied is an old one and there is no doubt of the correctness of the holding. The decision proceeds on the principle of subrogation. The note held by the creditor as collateral was not a part of the bankrupt's estate. It had been indorsed to the creditor by a third party to give further security for a debt of the bankrupt for which the third party was surety. It was a valid obligation of the bankrupt and unless provable by the creditor into whose hands it had come, the bankrupt would be relieved from the obligation represented by the note.

BILLS AND NOTES—DRAFTS—CONTRACT TO HONOR—X sent the following telegram to defendant: "Will you wire me that you will honor draft for $300?" Defendant telegraphed back, "I will." Thereupon X presented to plaintiff company these telegrams and a sight draft for $300, drawn on defendant to X's order, and plaintiff company purchased the draft on the strength of the telegrams. *Held,* that the telegrams created an agreement on the part of the defendant to honor the draft. *Oil Well Supply Co.* v. *Mac Murphy* (Minn. 1912) 138 N. W. 784.

The negotiable instruments law provides that "an unconditional promise in